

By: Isabella T. Stempler
Deputy Attorney General
(973) 648-2893

IN THE MATTER OF

BRIAN CLARK, LAWRENCE LASALA,
CHRISTOPHER LESTER, LOUIS FARKAS

WHEREAS, the Bureau Chief finds that:

- i. Louis Farkas ("Farkas"), Central Registration Depository ("CRD") No. 721857, at all relevant times was registered with the New Jersey Bureau of Securities ("Bureau") as an agent of EQ Financial Consultants, Inc., a New Jersey broker-dealer.
- ii. From December 1997 to May 1999, Respondent Farkas acted as an agent of First Capital and/or US Capital by selling Senior Capital and/or US Capital Notes ("Notes").
- iii. The Notes are securities as defined in N.J.S.A. 49:3-49(m).
- iv. Respondent Farkas has never been registered with the Bureau as an agent of First Capital and/or US Capital.
- v. The Notes and the offers to sell and the sale of the Notes do not qualify for any exemptions from registration and should have been registered with the Bureau in accordance with the Securities Law.
- vi. At all relevant times, Farkas as a registered agent of EQ Financial, was required by industry rules and standards to annually disclose all outside business activity.
- vii. Respondent Farkas failed to adequately disclose his outside business activity relating to the Notes for the years 1997 and 1998.
- viii. Brochures regarding the Notes were distributed to investors by Farkas. The aforementioned brochures included materially false and misleading statements and omitted material facts to investors, in violation of N.J.S.A. 49:3-52(b) including, but not limited to:
 - (a) the failure to advise investors that the securities were sold by unregistered individuals in violation of the New Jersey Uniform Securities Law;
 - (b) First Capital Services, Inc. will only finance receivables that are underwritten and insured by Continental Insurance Company;

- (c) all funds would be held in segregated accounts to be used only for the purchasing of receivables; and
- (d) that there was no sales charge for the notes;

WHEREAS, Farkas and the Bureau are desirous of resolving the issues raised in the Amended Administrative Complaint, without the expense and delay that administrative proceedings would involve;

WHEREAS, Farkas neither admits nor denies the Bureau Chief's findings;

WHEREAS, Farkas consents to the terms and conditions of this Consent Order;

WHEREAS, Farkas consents to the entry of this Consent Order and voluntarily waives, for the purposes of this proceeding only, an opportunity for hearing after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2);

WHEREAS, for purposes of enforcing this consent order or any future proceeding regarding this Consent Order the Bureau Chief's findings of fact in this Consent Order will have the same force and effect as if proven at hearing.

WHEREAS, the Bureau finds that the sanctions imposed herein are in the public interest, for the protection of investors and consistent with the policy and purposes intended by the Securities Law;

WHEREAS, this Consent Order concludes this matter against Farkas relating to the conduct alleged in the Amended Administrative Complaint, now, for good cause shown,

IT IS, on this 28th day of August, 2006, **ORDERED AND AGREED:**

- 1. Respondent Farkas shall pay the Bureau of Securities, a civil monetary penalty in the amount of \$35,000. Payment shall be made as follows:

- (a) Upon the entering of this Consent Order by the Office of Administrative Law,

Respondent Farkas shall immediately tender \$10,000;

- (b) Respondent Farkas shall pay \$200 to the New Jersey Bureau of Securities on the first day of every month thereafter following the date this Consent Order is entered by the Office of Administrative Law until the balance of the civil monetary penalty is paid in full;
- (c) All payments shall be made by attorney trust fund account check, certified check or other guaranteed funds, made payable to the "Bureau of Securities, State of New Jersey" and delivered to the attention of the Bureau Chief, at the following address: State of New Jersey, Department of Law and Public Safety, Division of Consumer Affairs, Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New Jersey 07101;
- (d) Default will be deemed to have occurred if the Bureau does not receive an installment payment within fifteen (15) days of the date that the installment is due; and
- (e) Should a default occur, the entire balance due of the civil monetary penalty shall become immediately due and owing.

- 2. Farkas' agent registration with the Bureau is hereby suspended for two (2) years, effective as of the date this Consent Order is entered.
- 3. Farkas shall cease and desist from issuing, selling, offering for sale, purchasing, offering to purchase, promoting, negotiating, advertising or distributing any securities from or within the State of New Jersey in violation of the Securities Law.
- 4. Upon the violation of any term of this Consent Order or default, petitioners may move the New

Jersey Superior Court by Order to Show Cause to enforce this Consent Order and issuing a Final Judgment against Farkas which will be docketed as a judgment against Farkas.

5. The parties to this agreement acknowledge that for the purpose of enforcement of this Consent Order, New Jersey law shall govern the terms and provisions herein.
6. The parties to this Consent Order represent that an authorized representative of each has signed this Consent Order with full knowledge, understanding and acceptance of its terms, and that each person has done so with authority to legally bind the respective party.
7. This Consent Order constitutes the entire agreement among the parties with respect to its subject matter. Any addition, deletion or change to this Consent Order must be in writing and signed by all the parties in order to be binding.
8. The parties to this agreement acknowledge that if, after the signing of this Consent Order, Farkas engages in any act or practice which constitutes a violation of the Securities Law, or if any material representation made by Farkas is subsequently discovered to be untrue, this Consent Order shall not be a waiver of any of the Bureau Chief's or the Bureau's rights, nor shall the entire controversy doctrine be deemed applicable to any action taken by the Bureau as a result of Farkas' actions.
9. Nothing contained herein shall bind or affect the rights of any person not a party hereto, nor the rights of the parties against any person not a party hereto.
10. This Consent Order may be signed in counterparts, each of which shall be deemed original.

11. This Consent Order shall become final when executed by the Bureau Chief.

Dated: August 28, 2006

Franklin L. Widmann
Franklin L. Widmann
Chief, New Jersey Bureau of Securities

The undersigned has read this Consent Order, has been advised of his right to review it with counsel before signing it, understands it, and agrees to be bound by its terms.

Louis Farkas
Louis Farkas

Dated: 8/16/06

Consent to the Form
and Entry of this Order:

ZULIMA V. FARBER
ATTORNEY GENERAL OF NEW JERSEY
Attorney for Franklin Widmann, Chief of
the New Jersey Bureau of Securities

LEODORI & WHELIHAN, P.C.
Attorneys for Louis Farkas

By: Isabella Trifilio Stampler
Isabella Trifilio Stampler
Deputy Attorney General

By: Thomas A. Whelihan, Esq.
Thomas A. Whelihan, Esq.

Dated: 8/25/06

Dated: 8/16/06